

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No.: AG-RR-30

Please explain the difference between the number and amount that appears on the first page of the Company's response to AG 7-45(Electric) that number being \$27,715,127, and the total balance of accumulated deferred income taxes for both divisions of \$23,547,924 that appears on Attachment 1.

Response:

The amount of \$27,715,127 in the response to AG-7-45 (Electric) is identified there as the total of amounts from Pages 36D and 36F of the DTE Annual Return. These amounts are for Accounts 282 and 283, that record the deferred income tax liabilities. In addition to these accounts, there is Account 190 for deferred income tax assets as shown on Page 36B of the DTE Annual Return. FG&E records in this account a deferred income tax asset related to Contributions In Aid to Construction. The Account 190 balance is one of the reconciling items below.

Attachment 1 of the response to AG-7-45 (Electric), which is a copy of the response to DTE-6-8 (Common), shows the amount of \$23,547,924. As the Department had requested in DTE-6-8, the response provides the derivation of two items of Total Deferred Income Taxes on Schedules MHC-11 (Electric) and (Gas)—the FAS 109 Accounting for Income Taxes-Federal and -State. The amount of \$23,547,924 is a component of that derivation process and does not include the two FAS 109 Accounting items. The FAS 109 Accounting items are another of the reconciling items below.

The final reconciling item relates to a journal entry recorded in the General Ledger in the test year. In December 2001 an arithmetic error was made in calculating amounts for that month's journal entry related to the FAS 109 Accounting For Income Taxes and FAS 109 Regulatory Liability accounts. The error was corrected in preparing Schedules MHC-11 (Electric) and (Gas) of FG&E's filing in May 2002 and in preparing the response to DTE-6-8. The error was not discovered prior to filing the 2001 DTE Annual Return at the end of March 2002. As a result, the amount of \$27,715,127 on AG 7-45 (Electric) includes the error.

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	<u>Total Electric & Gas</u>
Total Deferred Income Taxes (DTE 6-8 (Common) Table 2 - Step 1)	(23,547,924)
Add: <u>FAS 109 Acctg. for Income Taxes (DTE 6-8 (Common) Table 2 – Step 1)</u>	
Electric-Federal	(1,532,059)
Electric-State	(272,699)
Gas-Federal	(734,301)
Gas-State	<u>(130,702)</u>
Subtotal	(26,217,685)
Remove <u>Account 190 Deferred Income Tax Asset Included in</u>	
: <u>\$(23,547,924) above</u>	
- Contribution In Aid of Construction-Federal	440,527
- Contribution In Aid of Construction-State	<u>84,129</u>
Subtotal	(26,742,341)
Add: Correction of 2001 journal entry	<u>(972,786)</u> (1)
Total Deferred Income Taxes Per AG-5-45(Gas) and AG-7-45(Electric)	<u>(27,715,127)</u>
(1) Recorded December 2001 FAS 109 Acctg. Income Taxes	(1,351,835)
Corrected FAS 109 Acctg. For Income Taxes	<u>379,048</u>
Total	<u>(972,787)</u>

Person Responsible: Mark H. Collin